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UNCLAS ALMATY 002850

SIPDIS

DEPT PASS TO EUR/CACEN MUDGE
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

E.O. 12958: N/A

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SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE

July 10 - 23, 2005

[1](#)1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

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-- Commerzbank to Invest in Almaty Metro Construction
-- Foreign Manpower Quota for 2005
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-- Atasu-Alashankou Pipeline 30% Complete
-- Second Kazakhstani Tanker Arrives
-- PetroKazakhstan Announces New Commercial Oil Reserves
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National Bank Raises Refinancing Rate

[1](#)2. According to a press release from the National Bank of Kazakhstan (NBK), the refinancing rate is raised from 7.5% to 8% as of July 11. This decision, as well as the previous raise from 7% to 7.5% on February 1, was caused by need to lower inflationary pressures. The NBK reserves the right to revise the refinancing rate every quarter. (Interfax-Kazakhstan, July 11)

Commerzbank to Invest in Almaty Metro Construction

[1](#)3. Vice-presidents of German Commerzbank, Katrine Eich and Hans-Ulrich Betzoldt, expressed in a letter to the President Nazarbayev their readiness to loan \$800 million for the construction of the metro in Almaty. The project is estimated at \$1.2 billion. According to the letter, the German credit agency "Hermes" will provide \$327 million in export insurance; and the U.S. Overseas Private Investment Corporation (OPIC) will guarantee the loan and provide political risk insurance for \$400 million. The Asian Development Bank (ADB) provide credit in the amount of \$200 million. (Golden Eagle Service, July 18)

Foreign Manpower Quota For 2005

[1](#)4. Kazakhstan increased its quota for foreign manpower in 2005, up to 0.32% of the economically active population. The GoK cancelled its previous decree, which set a quota of 0.28%. In 2003, the foreign manpower quota was 0.14%; in 2004 - 0.21%. The population of Kazakhstan is over 15 million people, including an economically active number of about 8 million. (Interfax-Kazakhstan, July 19)

Russia to Train Kazakhstani Space Specialists

[1](#)5. The best Russian aviation and space educational institutions should be involved in training Kazakhstani specialists. Prime-Minister Akhmetov voiced this idea at a meeting with the representatives of Russian space education. Both sides agreed that Kazakhstan needs qualified personnel for the development of its space industry and Russian specialists can help to create training centers in Moscow and possibly in Baykonur. The Prime-Minister instructed the Education and Science Ministry to cooperate with Russian and other educational institutions to train a sufficient number of specialists in the medium term. (Kazakhstan Today, July 21)

Economic Statistics

16. According to a National Statistics Agency report, the surplus of Kazakhstan's external trade totaled \$4,369.3 million in January-May 2005 versus \$2,531.9 million in January-May 2004. Kazakhstan's foreign trade turnover was \$17,445.9 million in the reported period, up 51% compared to the same period in 2004. This figure includes exports of \$10,907.6 million (up by 54.9%) and imports of \$6,538.3 million (up by 45%). (Interfax-Kazakhstan, July 11)

17. Investment in fixed capital in Kazakhstan was KZT 821.9 billion (about \$6.1 billion) in January-June 2005, which is up by 1.5 times greater than in the same period in 2004, the National Statistics Agency reported. Major investment sources were enterprises' own funds (59.6%) and foreign investments (26.9%). Budget investments accounted for 10.1% and borrowed funds 3.4% of total investments. (Interfax-Kazakhstan, July 12)

18. Net profits of commercial banks in Kazakhstan totaled KZT 35.1 billion (about \$258 million) in January-June 2005, which is up by 43.3% year-on-year. According to the Financial Supervision Agency, as of July 1, 2005 the aggregate equity capital held by the national banking sector reached KZT 432.1 billion (about \$3.18 billion), a 64.2% increase year-on-year. Credit portfolios, including inter-bank loans, rose by 7.6% to make KZT 2,277.3 billion (about \$16.8 billion). (Interfax-Kazakhstan, July 15)

Atasu-Alashankou Pipeline 30% Completed

19. Construction of the 962.2 kilometer Atasu-Alashankou oil pipeline from central Kazakhstan to the Chinese border is on schedule, KazTransOil Deputy Director General Sultan stated. The pipeline, which is 30% completed, will be commissioned on December 16. (Interfax - Kazakhstan, July 18)

Second Kazakhstani Tanker Arrives

10. On July 21, Kazakhstan received its second 12,000 ton tanker "Almaty." It was built at the Vyborg ship building plant (Russia) at the request of the state merchant marine company KazMorTransFlot. The tanker will transport oil between Aktau and Makhachkala and Baku and will make 7-8 trips per month, transporting about 7.3 million barrels of oil annually. The third tanker "Aktau" will be built by December this year. (Kazakhstan today, July 22)

PetroKazakhstan Announces New Commercial Oil Reserves

11. On July 12, Canadian firm PetroKazakhstan announced the successful completion of the exploration drilling on Kolzhan area (South Turgai basin). Two exploration wells have flow rates of 250 barrels of oil per day (bopd) and 700 bopd, respectively. The third well KK-43 has initial flow rate of 120 bopd. (Interfax - Kazakhstan, July 12)

India, China, Russia Interested in PetroKazakhstan

12. India's Oil & Natural Gas Corp. (ONGC) is ready to purchase PetroKazakhstan for \$3.5 billion, a representative of ONGC Videsh Ltd. stated. China's PetroChina Co. and Russia's Lukoil are interested as well. (Interfax - Kazakhstan, July 18)

PetroKazakhstan's Latest Fine - Financial Police Comments

13. The Astana City Court imposed a \$55 million fine on seven local oil suppliers belonging to PetroKazakhstan for violations of Kazakhstani antimonopoly legislation, the company reported on July 15.

14. "The criminal investigation regarding PetroKazakhstan Directors is not an effort to force out the company from Kazakhstani market," Financial Police Head Kalmurzayev stated on July 12. In April, the Financial Police brought a charge against the President of PetroKazakhstan Kumkol Resources and PetroKazakhstan Oil Products Thomas Dvorak and Financial Director Clayton Clift under Article 196 of

the Criminal Code, "Monopolistic actions and competition limitation". (Interfax - Kazakhstan, July 18)

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